

**FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2002**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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FAMILY COURT
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EXECUTIVE SUMMARY

As a result of our audit of the Family Court – Court Stenographer’s Account for the fifteen months ended September 30, 2002, we noted the following areas that require corrective action:

Internal Control Weaknesses:

- Open accounts representing advance transcription fees collected are not reconciled to a control account balance, and
- Cash on deposit exceeded the open accounts balance by \$6,328.67.

Noncompliance With RIGL:

- A review of inactive accounts for possible escheatment, as unclaimed funds, should be performed to comply with RIGL’s 8-12-1 and 8-12-2.

Operations:

- Family Court needs to automate and streamline its existing manual system, and
- All remaining funds that cannot be identified for escheatment should be deposited with the General Treasurer as miscellaneous general fund revenue.

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2002

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October 2, 2003

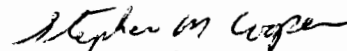
Honorable Jeremiah S. Jeremiah, Jr.
Chief Judge of the Family Court
One Dorrance Plaza
Providence, RI 02903

Dear Judge Jeremiah:

We have completed an audit of the Family Court – Court Stenographers Account for the fifteen months ended September 30, 2002 in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your response should be sent directly to Robert J. Higgins, Director of Administration; Honorable Paul V. Sherlock, Chairman of the House Finance Committee; and to the Honorable Stephen D. Alves, Chairman of the Senate Finance Committee.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2002

INTRODUCTION

Objectives, Scope, and Methodology

The scope of our audit was to test the cash transactions for the fifteen months ended September 30, 2002. Our objectives were to determine whether:

- The Court Stenographers Account is operating in compliance with applicable state laws and established rules and regulations;
- The accounting system used is adequate and the procedures followed are efficient and effective;
- Cash received and disbursed was properly accounted for within the financial accounts and records maintained;
- Controls are in place to sufficiently safeguard and protect assets; and
- The financial statements for the fifteen months ended September 30, 2002 are presented fairly.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

The findings and recommendations included in this report were based upon our:

- Evaluation of tests for compliance with applicable state laws, rules and regulations, and policies and procedures;
- Interviews with personnel; and
- Audit tests and analytical procedures applied to data provided.

Background

Financial transactions for the Court Stenographers are accounted for in an agency fund held in the custody of the Family Court Administrator. The purpose of this fund is to collect fees from the requesting parties for the transcription of court records and to disburse such funds to the stenographers who perform the services.

Payments made to stenographers for transcription services are in addition to wages paid to them by the State of Rhode Island for their stenographic services in the courtroom.

Under the present system, when a request for a court transcript is received, an estimate of the stenographic fee is determined and the requesting party is required to make an advance payment (\$3.00 per page) to the Family Court Administrator's Office. Subsequent to the receipt of payment, the administrator then assigns the transcription work to a stenographer for completion. After completion of the transcript, the stenographer is paid through the state's payroll system. All excess fees received are refunded to the parties that originated the request.



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Honorable Jeremiah S. Jeremiah, Jr.
Chief Judge of the Family Court
State of Rhode Island
Providence, RI 02903

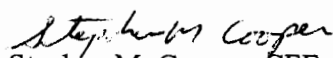
Dear Judge Jeremiah:

We have audited the accompanying balance sheet and statement of cash receipts and disbursements of the Family Court – Court Stenographers Account for the fifteen months ended September 30, 2002. These financial statements are the responsibility of the court's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Family Court – Court Stenographers Account at September 30, 2002, and the cash receipts and disbursements for the fifteen months ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information included in Schedule 1 of this report is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
March 7, 2003

SMC:pp

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
BALANCE SHEET
SEPTEMBER 30, 2002

Assets

Cash	\$ 8,072.67
Due from General Treasurer	<u>156.25</u>
Total Assets	<u>\$ 8,228.92</u>

Liabilities

Advance Transcription Fees Collected	\$ 7,645.92
Due to Others	<u>583.00</u>
Total Liabilities	<u>\$ 8,228.92</u>

See accompanying notes to financial statements.

:J-29a

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2002

Cash Receipts

Transaction Fees	\$ 6,458.00
From Others	<u>583.00</u>
Total Cash Receipts	<u>7,041.00</u>

Cash Disbursements

Payments to Stenographers	5,636.00
Refunds	1,099.50
Service Charges/Check Printing	<u>28.25</u>
Total Cash Disbursements	<u>6,763.75</u>
Excess of Cash Receipts Over Cash Disbursements	277.25
Balance July 1, 2001	<u>7,795.42</u>
Balance September 30, 2002	<u>\$ 8,072.67</u>

See accompanying notes to financial statements.

:J-29b

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2002

NOTES TO FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

Fund Accounting

The accounts of the Family Court – Court Stenographers Account are organized on the basis of funds, each of which is considered to be a separate entity. Only the agency fund for the Court Stenographers Account is presented in the accompanying financial statements.

Agency Fund

This fund is used to account for the assets held by the Court Administrator as an agent for stenographers, attorneys, and the general fund.

Basis of Accounting

The financial statements are presented on the modified accrual basis of accounting as prescribed by generally accepted accounting principles. Agency Funds are custodial in nature and, accordingly, at any given point in time, total assets are equally offset by related liabilities.

Note 2 – Advance Transcription Fees Collected

Transcript requests are accompanied by an advance-estimated payment (\$3.00 per page multiplied by the estimated number of pages) and are reported as liabilities prior to the completion of individual transcript requests.

Note 3 – Due from General Treasurer

The balance in this account is composed of bank charges that were not reimbursed by the general fund and excess funds that were erroneously escheated to the general treasurer.

The allocation is as follows:

Bank Service Charges	\$ 56.25
Excess Funds Escheated	<u>100.00</u>
Total	\$ <u>156.25</u>

Note 4 – Due to Registry Account

The balance of \$583 in this account resulted from a deposit received in error which should have been credited to the registry account. This amount was subsequently reimbursed to the registry bank account.

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2001, 2000, 1999

	2001	2000	1999	Total (Memorandum Only)
<u>Cash Receipts</u>				
Transaction Fees	\$ 11,796.50	16,291.50	22,196.00	50,284.00
Voided Checks	-	194.00	-	194.00
Total Cash Receipts	<u>11,796.50</u>	<u>16,485.50</u>	<u>22,196.00</u>	<u>50,478.00</u>
<u>Cash Disbursements</u>				
Payments to Stenographers	12,594.00	14,616.50	16,029.00	43,239.50
Refunds	995.00	2,324.00	3,495.00	6,814.00
Escheated to General Treasurer	-	294.00	-	294.00
Bank Charges	28.00	-	-	28.00
Total Cash Disbursements	<u>13,617.00</u>	<u>17,234.50</u>	<u>19,524.00</u>	<u>50,375.50</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(1,820.50)	(749.00)	2,672.00	102.50
Balance Beginning July 1	<u>9,615.92</u>	<u>10,364.92</u>	<u>7,692.92</u>	<u>7,692.92</u>
Balance Ending June 30	<u>\$ 7,795.42</u>	<u>9,615.92</u>	<u>10,364.92</u>	<u>7,795.42</u>

FAMILY COURT
COURT STENOGRAPHERS ACCOUNT
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2002

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Accounting System

The Court Administrator's Office uses a manual single entry system to account for cash received and disbursed. As such, transaction accountability is accomplished primarily through the use of a checking account, while controls over cash are focused upon the bank reconciliation process, since formal books of original entry are not maintained (i.e., cash receipts journal, cash disbursements journal, general ledger and subsidiary ledger). The establishment of a double entry accounting system would greatly enhance operations and provide efficiencies not presently realized.

Recommendation

1. Install a double entry accounting system to establish an appropriate level of accountability and streamline and automate the process used.

Reconciliation of Open Accounts

For September 30, 2002 the Court Administrator's Office prepared a listing of open accounts with balances (liabilities resulting from advance transcription fees collected from attorneys and others). Upon comparing the open accounts balance to the balance on deposit in the checking account, it was discovered that cash balance exceeded the open accounts balance by \$6,328.67. At the conclusion of our audit, this overage was not identified to open account details maintained by the court.

In order to maintain data integrity, it is essential that for the court to maintain a control balance for advance transcription fees collected and that it reconciles to subsidiary detail balances.

Recommendations

2. The Court Administrator's Office should make every effort to reconcile the open accounts detail to a control account balance for advance collections.
3. A review of inactive accounts for possible escheatment as unclaimed funds should be performed to comply with RIGL's 8-12-1 and 8-12-2.
4. All remaining funds that cannot be identified for escheatment should be deposited with the General Treasurer as miscellaneous general fund revenue.